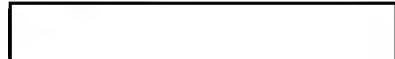


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C Vietnam:

North Vietnam: Hanoi is beginning intensive preparations to celebrate a number of important party and state anniversaries next year.

A politburo resolution of 8 July proclaims 1970 a year of historical significance. The year includes, among other benchmarks, Ho Chi Minh's 80th birthday. The resolution focuses on internal North Vietnamese problems and issues and gives only brief and back-handed references to the war in the South. Because of this, and the fanfare called for, the regime may well intend 1970 to be a major turning point possibly requiring significant policy decisions. If so Hanoi's leaders may well include among next year's activities the convocation of a national party congress for the first time in a decade.

South Vietnam: The month-long standdown in major Communist military actions continued on 15-16 July. Reports persist, however, that the enemy is planning another round of localized attacks beginning this weekend. [redacted]

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Japan-USSR: Foreign Minister Aichi will visit Moscow in September en route to Washington for talks on Okinawan reversion.

Aichi is expected to take advantage of his invitation to Moscow to reiterate Japan's claim to the southern Kuril Islands. The Japanese Government, according to a Foreign Ministry source, realizes that the Soviets will probably continue to avoid any discussion of this "Northern Territories" question, which Moscow has long claimed is a closed issue.

Tokyo expects that the Soviets may instead try to divert discussion to the possibility of further Japanese participation in the development of Siberian resources.

Tokyo's principal concern is to maintain good relations with the USSR. At the same time, the Sato government is attempting to cast itself as the principal defender of Japan's national interest; the opposition, including the Japan Communist Party, has been trying to exploit the Northern Territories issue.

Tokyo also views the issue as a useful bargaining tool in securing concessions from the Soviets on other matters, particularly trade relations.

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Spain - Eastern Europe - USSR: Spain is continuing its efforts to improve relations with Eastern Europe and the Soviet Union.

After extended negotiations, Spain and Poland established formal consular and trade relations on 14 July. This arrangement is similar to the one between Madrid and Bucharest which formalized relations in 1967. Spain is also presently engaged in talks with the Soviet Union concerning the opening of a TASS press office in Madrid.

Many Spanish officials are anxious to press ahead with plans to improve relations with more East European countries. Spain's motives are both economic and political. Madrid seeks to open new markets for Spanish goods and to improve Spain's position in Europe after its long isolation.

The present warming trend which was temporarily interrupted by the Soviet-led invasion of Czechoslovakia last August is likely to continue--despite the reluctance of Communist regimes to appear to betray the interests of the Spanish Communist Party by embracing Franco more closely. [REDACTED]

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West Germany: The Foreign Ministry anticipates a gradual improvement of relations with Poland and Hungary.

One Bonn official has reported that the Hungarians, after some delay, now seem willing to proceed with arrangements to permit the resident trade missions to issue visas. The official also noted that Polish Deputy Foreign Minister Winiewicz had suggested to West German trade mission chief Boex, during their continuing talks, that the respective trade missions be authorized to issue visas to economic, technical, and scientific specialists.

The West Germans are hopeful that the Poles will be willing to accept all categories of travelers and that arrangements with both Warsaw and Budapest can be completed in time to permit the issuance of visas later this year.

The Poles are also continuing to show a strong interest in expanding trade with West Germany, and, according to the source, the Foreign Ministry is inclined to respond with a proposal for a long-term agreement.

The official expressed the view that Moscow and Budapest were acting with Moscow's assent to these moves, and added that the newly inaugurated West German President, Gustav Heinemann, probably represented an important asset for Bonn's Eastern policy. Heinemann's initial statements, including his call for a reconciliation with the East, have generally been well received in Eastern Europe.

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France: President Pompidou has taken a preliminary step toward alleviating the country's economic difficulties.

Some \$800 million in public expenditures programmed for the second half of this year will be frozen by this action. The blocked credits will be put into a reserve fund, from which the ministries reportedly will be allowed to draw only if economic conditions change significantly.

Pompidou's decision to reduce public spending was prompted by growing balance-of-payments deficits due to the rapid expansion of incomes in France. A longer range economic program will be presented to parliament when it reassembles in the fall. [redacted]

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United Nations: A number of United Nations members appear ready to discuss possible solutions to the UN's "ministate problem," but agreement is likely to prove difficult.

In recent years, there has been increasing concern over the growing number of tiny member states that wield voting power out of proportion to their size. Often they do not maintain adequate representation in New York and yet enjoy full membership privileges. Secretary General Thant has focused on this issue in several of his annual reports, but until recently the organization's major contributors have been reluctant to risk unpopularity among the less developed states by seeking membership restrictions. The creation of some form of limited membership for small countries has, however, been gaining more support lately.

Representatives of Spain and Paraguay have reacted favorably to a suggestion by the US that the UN create a category of associate membership for small states that do not satisfy minimum population, territory, revenue, and export criteria. Other countries favoring this general line include Sweden and Finland.

The Soviet Union has expressed to third parties strong reservations to the US proposal and may use any forthcoming discussions of the issue to propagandize against the US. Moscow might, nevertheless, eventually approve of some membership-limiting measure, but only after publicly emphasizing its support for the ministates.

Opposition from African countries could materialize if they felt that associate membership would impede their growing influence at the UN or discriminate against newly emerging states.

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Brazil: Further attacks on the Costa e Silva administration by a hard-line general are causing concern in the government and armed forces.

Army General Moniz de Aragao, who was recently removed from his military posts for severely criticizing the President and his advisers, has reiterated his charges in even harsher terms. He is circulating these charges, contained in a series of letters to the army minister, at all levels in the armed forces with the assistance of young officers who support politically ambitious General Albuquerque Lima. This tactic has obliged the minister to circulate his replies to the general within the military, and the acrimonious exchange is being quoted in the press, focusing public attention on the conflict.

The influential progovernment Rio de Janeiro newspaper O Globo in a front-page editorial warned of the grave danger of attacks on the President from the barracks, and urgently called for the armed forces to unite around Costa e Silva.

The President's military advisers reportedly are urging him to crack down further on Moniz de Aragao. Some of the hard-line commanders such as Albuquerque Lima have expressed concern that this move could provoke some rash action by younger officers who believe many of the charges against the President. Costa e Silva must move cautiously to avoid further weakening the military support he needs to remain in office.

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Guyana: Opposition leader Cheddi Jagan has at last enrolled his People's Progressive Party in the "ideological family" of Communist parties.

A copy of the speech Jagan delivered in Moscow in June was recently confiscated by the Guyanese police. The speech was slavishly pro-Soviet, leaving no room for doubt as to Jagan's true loyalties.

Jagan did not consult his party before making the speech, and moderate leaders have expressed their disapproval. These leaders, however, do not have enough backing to form a viable counter to Jagan, and because the vast majority of party members follow him for racial, not ideological, reasons, it is doubtful that Jagan's strength will be appreciably diminished by the new pronouncement.

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Israel: The ruling Labor Party begins its national convention on 20 July in some political turmoil because of possible defection by the pro-Dayan RAFI faction.

Although the odds are heavily against such a split, feelings between Prime Minister Meir's MAPAI faction and RAFI are running high after last week's meeting of RAFI. There was strong pressure at the meeting for a split, and Mrs. Meir, a guest speaker, left in a huff over charges that she is anti-Dayan. Dayan said that he did not want to be responsible for a split in the party nor for the formation of a new one. At the same time, he made it clear, however, that he wanted to improve RAFI's position within the party. Some of Dayan's followers who are pressing him to defect claim he could win over 30 percent of the vote if he headed an independent list.

The convention is being held to approve the party platform and list of candidates for the elections in October. Younger elements--the Israeli-born leaders, such as Dayan and Deputy Prime Minister Yigal Allon--are pressing for succession. The "old guard" clearly has control of the party machinery, however, and, as Dayan recognizes, there is no other way to succeed to leadership in Israel.

Mrs. Meir, despite her walkout from the RAFI meeting, is clearly seeking to avoid defections from the party. She is stressing the need for party unity, particularly now when Israel is faced with increasingly serious border problems and diplomatic pressures. Party Secretary Sapir, however, seems more bent on fighting Dayan and the RAFI faction than in healing wounds.

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Cuba: Fidel Castro has reiterated his adamant stand against resuming relations with the US. In a press interview on 14 July he said that an end to the economic denial program would not be enough to satisfy Cuba. The US would have to "give up forever the role of international policeman it has assumed in Asia, Latin America, and other places." Castro also repeated a statement he made earlier in the day that Latin American countries interested in resuming relations must make an "explicit and formal" denunciation of the "arbitrary and unjust" OAS sanctions against Cuba.

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C El Salvador - Honduras: Both countries agreed yesterday to a cease-fire. Details have not yet been worked out, however, and fighting has not stopped. El Salvador has not agreed to withdraw its troops from Honduran territory and may wish to use them as a bargaining counter to gain a guarantee of safety for the more than 250,000 Salvadorans who live in Honduras. Members of the OAS Investigative Committee have been stationed in both capitals in order to facilitate continued negotiations.

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USSR: The Soviets reportedly are considering changing their spacecraft's atmosphere periodically during flight as a means of raising cosmonauts' resistance to the potentially detrimental effects of weightlessness and acceleration. Soviet laboratory studies suggest that moderate hypoxia--oxygen deficiency--increases resistance to some of the undesirable effects of prolonged space flight. Varying the mixture of carbon dioxide and oxygen in a spacecraft's atmosphere is a novel and possibly promising approach to increasing cosmonaut efficiency, although actual flight tests will be necessary before its validity can be proven. These experiments indicate continuing Soviet interest in long-duration manned space missions and, if proven valid, could have significance for future space flights.

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India: Deputy Prime Minister Morarji Desai resigned from the cabinet yesterday after Prime Minister Gandhi took over his key finance portfolio. Ostensibly Mrs. Gandhi's action was intended to make it easier for her to implement her controversial proposal to nationalize the country's major banks--a move strongly opposed by the more conservative Desai. It is more likely, however, that she forced Desai's resignation as a means of saving face in her struggle with the old guard Congress Party bosses over who should be the party's candidate in the presidential election. The prime minister virtually admitted her defeat on the presidential issue when she suddenly declared her unconditional support for the party bosses' nominee whom she had earlier bitterly opposed.

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Yemen - West Germany: Yemen and West Germany have agreed to resume diplomatic relations broken in 1965 over West German recognition of Israel. According to the announcement from Sana, the resumption agreement contains a West German pledge of economic assistance, including construction of new airport facilities at Sana and paving of the US-built road between Yemen's two main cities. The republican government in Yemen has recently been attempting to strengthen its ties with the West as relations with the Communist countries have cooled, and the economic aspects of the renewal agreement make the move even more attractive.

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